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The Director of Central Intelligence

Washington, D.C. 20505

National Intelligence Council

NIC 05554-85
7 November 1985

MEMORANDUM FOR: Director of Central Intelligence

THROUGH: Chairman, National Intelligence Council

FROM: [redacted] 25X1
Acting National Intelligence Officer for Economics

SUBJECT: Memorandum from Mr. Robert C. McFarlane on New Procedure of Economic Policy Decisions

1. Attached for your signature is a response to Mr. Robert McFarlane's memorandum naming the NIO Economics as the NIC representative to an economic policy review group headed by the NSC's Senior Director for International Economic Affairs, Stephen Danzansky. Representatives of Defense and State will also be members of the new group.

2. McFarlane endorsed Danzansky's recommendation for the establishment of the group in hopes of getting earlier and more substantial NSC input on Economic Policy Council discussions. NSC's decision to establish this group may well be challenged by Secretary Baker. As you are aware, Baker's people control the agenda of the EPC and frequently send out discussion papers only hours before a meeting.

3. While I believe that we should go along with McFarlane's recommendation, we should also continue to look for an appropriate EPC agenda item for you to press for membership. Defense Department and NSC are now represented at the table as full members. CIA continues to attend on a consultative basis.

[redacted] 25X1

Attachment:
As Stated

CL BY SIGNER
DECL OADR

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SUBJECT: Memorandum from McFarlane on New Procedure for Economic Policy Decisions

Acting NIO/Econ [redacted] 6 November 1985 NIC 05554-85 25X1

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The Director of Central Intelligence

Washington, D.C. 20505

MEMORANDUM FOR: The Honorable Robert C. McFarlane
Assistant to the President for National
Security Affairs

SUBJECT: Your Memo dated 2 November 1985, Subj: National
Security Assessment of Economic Policy Decisions

1. I endorse your recommendation for prior review of pending economic policy decisions for national security issues. Our experience to date with the Economic Policy Council shows that an early review of issues would be helpful both in the deliberations and as input for a decision by the President.

2. I have asked the Acting National Intelligence Officer for Economics, [redacted] to represent us on this group. The Director of the Office of Global Issues in CIA, [redacted] will attend meetings in the absence of the NIO. 25X1 25X1

William J. Casey

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November 2, 1985

MEMORANDUM FOR THE HONORABLE WILLIAM J. CASEY
The Director of Central Intelligence

SUBJECT: National Security Assessment of Economic Policy Decisions: New Procedure (S)

With the recent highly visible activity in the trade and monetary areas, the President is more frequently called upon to make decisions relating to economic policy than in the past. Most of these decisions have major international and national security implications. (S)

Because of this, I have become increasingly concerned in the last few months that in the internal handling of international economic issues there is no mechanism to ensure that final recommendations that are sent forward to the President have been considered from an overall national security perspective. Often it is the case that it is not until a final recommendation is made that the national security implications can be fully assessed. In addition, I do not believe that CIA and Defense are adequately consulted on many economic policy matters. The President must be given the opportunity to weigh all the international political and military implications of each proposal on the best information available. (S)

I have decided, as a result, that it is necessary to put into place a more formal procedure for providing the President with fully considered national security advice on all international economic issues. What I propose is a requirement that all recommendations to the President on international economic matters, from the EPC or other sources, must be subject to a last stop national security review process overseen by the security agencies: NSC, CIA, State and Defense. (S)

This review process would be memorialized in a document called a National Security Impact Statement (NSIS) which would reflect the judgment of the above-mentioned agencies on the relationship of the proposed decision to the President's overall foreign policy objectives. This document would be prepared by representatives from the security agencies who would assess the national security implications of proposed actions. There is no intention in this proposal to create another bureaucratic layer. The purpose is to facilitate the decisionmaking process through a close

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coordination of our agencies to best serve the President in making economic decisions that could affect the national security. (S)

I have asked Stephen Danzansky to coordinate the new process on my behalf. Steve already has spoken to Willie Taft of Defense about establishing better coordination on economic policy matters, and with [redacted] the Agency. As part of the NSIS process, I foresee that it will be necessary regularly to communicate with a small group from the security agencies whose sole purpose is to provide the assessments which would form the basis of the Impact Statement. In order to make the process as efficient as possible, I would like only one representative from each agency. I would request that you ask Dean Hoffman, or some other person, to regularly participate in meetings of this group as the CIA's representative. (S)

25X1

Robert C. McFarlane
Assistant to the President
for National Security Affairs

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